CORRECTIONS, PUBLIC SAFETY AND POLICING

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2012

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Correctional Facilities Industries Revolving Fund, which comprise the statement of financial position as at March 31, 2012 and the statement of operations and accumulated surplus, and the statement of changes in accumulated net recovery (expenditure) for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Correctional Facilities Industries Revolving Fund as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Bonnie Lysyk

Regina, Saskatchewan
June 6, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

1500 Chateau Tower - 1920 Broad Street Regina, Saskatchewan S4P 3V2
t 306.787.6398 f 306.787.6383 e info@auditor.sk.ca
www.auditor.sk.ca

Statement 1

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
Statement of Financial Position
AS AT MARCH 31

	2012	2011
Financial Assets		
Accounts receivable	$ 99,498	$ 133,877
Inventory for resale (Note 7)	87,789	92,840
Accumulated net recovery (Statement 3)	71,845	---
Total Financial Assets	259,132	226,717
Liabilities		
Accounts payable and accrued liabilities	82,850	71,411
Accumulated net expenditure (Statement 3)	---	68,655
Total Liabilities	82,850	140,066
Accumulated Surplus (Statement 2)	$ 176,282	$ 86,651

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
Statement of Operations and Accumulated Surplus
FOR THE YEAR ENDED MARCH 31

	2012		2011
	Budget (Note 10)	Actual	Actual
Sales	$ 548,000	$ 699,577	$ 415,534
Cost of goods sold (Note 6)	481,525	561,703	420,037
Gross profit	66,475	137,874	(4,503)
Operating expenses:			
Salaries	49,000	45,864	43,113
Travel	450	---	82
Miscellaneous	2,400	4,240	3,718
Repairs and maintenance	600	---	122
Office supplies	1,250	427	417
Delivery	250	1,319	1,451
	53,950	51,850	48,903
(Deficit) Surplus from operations	12,525	86,024	(53,406)
Other income	---	1,165	57
Subsidy from General Revenue Fund	40,000	---	40,000
Annual surplus (deficit)	$ 52,525	87,189	(13,349)
Accumulated surplus, beginning of year		86,651	139,470
Transfer to General Revenue Fund (Note 4)		---	(39,470)
Accumulated Surplus Adjustment (Note 12)		2,442	---
Accumulated surplus, end of year (Statement 1)		$ 176,282	$ 86,651

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
Statement of Changes In Accumulated Net Recovery (Expenditure)
FOR THE YEAR ENDED MARCH 31

	2012	2011
Financing required for (provided by) operating activities:		
Annual surplus (deficit)	$ 87,189	$ (13,349)
Net increase in working capital items related to operations (Note 5)	50,869	9,212
Net decrease (increase) in financing requirements	138,058	(4,137)
Accumulated net (expenditure), beginning of year	(68,655)	(25,048)
Transfer to General Revenue Fund (Note 4)	---	(39,470)
Accumulated Net Expenditure Adjustment (Note 12)	2,442	---
Accumulated net recovery (expenditure), end of year (Statement 1)	$ 71,845	$ (68,655)

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2012

1. Authority and Definition of Entity

The Revolving Fund operates under the authority of Section 53 of *The Correctional Services Act*. The purpose of the Revolving Fund is to rehabilitate inmates by operating work programs intended to provide practical and marketable work skills for inmates and which provides a revenue source to reduce the costs of inmate programming.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards. These financial statements do not present a Statement of Change in Net Assets or a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 5. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from working capital changes and net cash flows from operations.

b) Accumulated Net Recovery (Expenditure)

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net recovery (expenditure) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's changes in working capital and net cash flow from operations.

c) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

d) Revenue Recognition

Sales are recognized when goods are delivered to customers.

e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by using the first in, first out method.

f) Use of Estimates

The preparation of financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Authorized Financing

Subsection 53 (10) of *The Correctional Services Act* specifies that the maximum accumulated net expenditure will be set by order of the Lieutenant Governor in Council. A maximum amount of $900,000 was established by Order in Council 816/89.

4. Disposition of Accumulated Operating Surplus or Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the surplus/deficit exceeds the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The approved surplus/deficit limit for the Correctional Facilities Industries Revolving Fund is $100,000 per year. The Revolving Fund did not request additional funding or pay an excess surplus (2011 - $39,470 surplus paid) to the General Revenue Fund. The Revolving Fund intends to repay the excess surplus to the General Revenue Fund during the 2012-13 fiscal year.

5. Net Change in Working Capital Items Related to Operations

	2012	2011
Decrease in accounts receivable	$ 34,379	$ 35,646
Decrease (increase) in inventories	5,051	(3,226)
Increase (decrease) in current liabilities	11,439	(23,208)
Net increase in working capital items related to operations	$ 50,869	$ 9,212

6. Cost of Goods Sold

Cost of goods sold consists of the following:

	2012	2011
Materials	$ 209,034	$ 137,114
Supplies	36,877	26,215
Inmate Incentive	47,981	31,259
Staff Salaries	234,265	197,072
Shop Expense	33,546	28,377
	$ 561,703	$ 420,037

7. Inventory

Inventory consists of the following:

	2012	2011
Raw Materials	$ 66,727	$ 65,305
Work in Progress	239	13,477
Finished Goods	20,823	14,058
	$ 87,789	$ 92,840

8. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Revolving Fund by virtue of common control by the Government of Saskatchewan and non-Crown agencies subject to joint control and significant influences by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with other related parties are recorded at agreed upon exchange amounts and settled on normal trade terms. The following table summarizes the related party transactions for the year:

Financial Statement Category:	2012	2011
Sales	$ 86,622	$ 110,351
Accounts Receivable	9,439	16,686
Expenses	330,701	283,405
Accounts Payable and Accrued Liabilities	40,069	43,195

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the various ministerial appropriations and therefore no provision for such costs is reflected in these financial statements.

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

9. Credit Risk

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. Accounts receivable balances are outstanding from many customers, which helps reduce credit risk.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Contingency

The Revolving Fund is a defendant in a legal proceeding. An estimate of losses, if any, cannot be determined at this time. Accordingly, no provision has been made in the Revolving Fund's accounts.

12. Accumulated Net Expenditure (ANE) Adjustment

In past years, there have been differences between the Revolving Fund's ANE balance in MIDAS and the ANE reported in the audited financial statements. Work was done to identify the reason for the differences and it was determined that the Revolving Fund's ANE balance in both MIDAS and the Revolving Fund's records required an adjustment. The adjustment updated ANE to the appropriate amount and recorded the balance at an equal amount in each set of accounting records. A $2,442 adjustment to the Revolving Fund's ANE and Accumulated Surplus was required in the Revolving Fund financial statements to balance the differences. The Revolving Fund's ANE balance reported in MIDAS will agree to the ANE reported in the financial statements each year end beginning with the current year financial statements.

13. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.